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Cloak and Dagger

Industrial Spying Gets Cue from Bond

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BY ARTHUR GORLICK

On May 11, Lewis S. Rosen-

INDUSTRIES most usually

John T. Lynch's 17th floor office at 111 W. Washington looks much like those of his neighbors, an attorney and a certified public accountant.

It isn't though. Unlike his neighbors, Lynch and his staff run weekly security checks of the suite, hunting for hidden microphones, tape recorders or tap-ins on the telephones.

File cabinets there have no labels on the drawers to identify the contents. Papers on a secretary's desk are turned face down.

This office, directly across the street from City Hall, is the headquarters for a nationwide intelligence and counter-intelligence operation.

It's not the international James Bond, Man From U.N.C.L.E. or C.I.A. variety of cloak and dagger, but it's cloak and dagger just the same.

A typical Lynch case might be called, "The Water Cooler Caper." He deals in industrial espionage.

FOR A FEE — usually a pretty stiff one — Lynch said, "we can place an undercover agent in a competing firm of our client. If necessary, we can place a half a dozen undercover agents."

That new night janitor at your plant might really be an engineer placed by a competitor to learn what new products you are developing, he said.

He might have been placed by stock market speculators interested in finding out if your new product, when eventually placed on the market, will shoot up the price of your now low-cost stock.

such, president of Schenley Industries, the whisky people, told a Senate subcommittee that a small transmitting device powered by a mercury battery had been found imbedded near the bar in the recreation room of his house. He said that information concerning the firm's stock apparently was the target of the unknown eavesdroppers who had bugged his house.

"THIS IS a subject most people don't usually talk about," said Lynch, an attorney (member of the Washington, D.C., bar), former FBI agent and private eye.

"Every once in a while, though, when an incident like this Procter & Gamble-Colgate-Palmolive case comes up and makes big headlines, there's a resurgence of interest in industrial espionage and commercial intelligence."

The case involved the FBI's arrest April 2 in a New York airport of a young Evanston former junior executive for Procter & Gamble.

He's accused of selling for \$20,000 P & G's future advertising plan for Crest toothpaste to Colgate-Palmolive.

The FBI, alerted by Colgate-Palmolive, arranged for the sale in marked bills. An FBI agent guessed the advertising plan could have been worth \$1,000,000 or more to Colgate.

"There are large sums of money — very large sums — involved in most cases where industrial espionage comes into the picture," Lynch said.

those that spend massive amounts of money in research or technological development.

Nearly \$20 billion yearly is spent by American business in research and in the technological development of new products.

"This makes almost every American firm that does research the target of industrial spies throughout the world, especially from Japan and some European countries," Lynch said.

SOME foreign agencies employ thousands of operatives to steal research secrets from U.S. companies, said Lynch, 48, who looks more like a distinguished, silver-haired business executive than the head of an intelligence network.

Some are "sleeper agents" who remain in the employ of a firm for years before a formula worth stealing is produced.

Other industrial spies are "self-employed." Sometimes they hold positions of considerable importance in the target firms, participate in the target research projects themselves, and peddle the results to competing firms around the world.

LYNCH recalled the case of plump, balding Robert Sancier Aries, a respected scientist, holder of two doctorate degrees from Yale, member of the New York Academy of Science, the American Institute of Chemists, and other honors. Merck & Co., a major phar-

maceutical firm, accused him of filching a \$6,000,000 drug formula and peddling it to drug firms in Switzerland, the United States and England.

In a similar case, nine persons were indicted recently by a U.S. District Court in New York for stealing a "wonder drug" formula from the American Cyanamid Co. Lederle Laboratories, Pearl River, N.Y. The formula, the indictment charged, was smuggled abroad and sold to Italian pharmaceutical firms that produced the drug and sold it to U.S. governmental bodies by underselling the firm that developed it.

"ONE OF the chief industries using industrial spies is the American automobile producers," Lynch said. "Some, I know personally, have their own intelligence section that obtains fender style and dashboard designs from competitors."

Aero-space and defense contract industries are also frequent targets, Lynch said.

"Many of these firms go from five employees to 5,000 overnight depending on a single defense contract that they might receive."

"The prospect of going back to five employees after providing their end of the contract encourages some of the less stable, fly-by-night companies to go after new contracts by stealing information from other firms and bidding for their contracts."

The mobility of employees in these fields acts as a cover for one facet of industrial espionage — personnel raiding.

A PROMINENT Ohio firm producing rubber and related

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